

BUSINESS
CORPORATION FILE

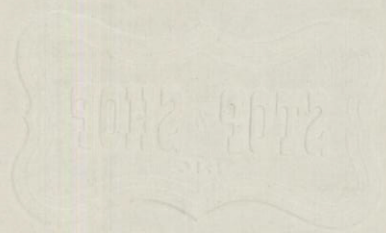
Twenty-Fourth
ANNUAL
REPORT
to Stockholders

for Fiscal Year ending
July 2, 1949



STOP & SHOP, INC.

BOSTON, MASSACHUSETTS



STOP & SHOP, INC.

393 D STREET, BOSTON 10, MASS.

Officers

JOSEPH RABINOVITZ	<i>President</i>
SIDNEY R. RABB	<i>Chairman of the Board and Treasurer</i>
IRVING W. RABB	<i>Vice-President</i>
NORMAN S. RABB	<i>Vice-President</i>
JACOB RABINOVITZ	<i>Vice-President</i>
LLOYD D. TARLIN	<i>Assistant Treasurer</i>
MAX E. BERNKOPF	<i>Clerk</i>

Directors

MAX E. BERNKOPF	SIDNEY R. RABB
A. K. COHEN	JACOB RABINOVITZ
IRVING W. RABB	JOSEPH RABINOVITZ
NORMAN S. RABB	LLOYD D. TARLIN

Transfer Agents

THE FIRST NATIONAL BANK
OF BOSTON

Registrars of Stock

THE NATIONAL SHAWMUT BANK
OF BOSTON

Trustee

UNDER BOND INDENTURE
OLD COLONY TRUST COMPANY
BOSTON

Auditors

MYRON HELLER & COMPANY
BOSTON

To the Stockholders of Stop & Shop, Inc.:

Our fiscal year ended on July 2nd and consisted of 53 weeks. The usual fiscal year is 52 weeks — thirteen four-week periods or 364 days. To compensate for the day skipped and for leap year, this extra week is added each sixth year. This report indicates the sound financial condition of the company and most satisfactory operating results.

Sales for the fiscal year were at a new high of \$50,227,183, an increase of \$4,348,131 or approximately 9.5% over the preceding year.

The consolidated earnings of the company were \$758,044 or \$3.24 per share on the 234,000 shares outstanding and approximately 1.5% on gross sales. Last year the company earned \$645,792 or \$2.76 per share on the same number of shares and approximately 1.4% on gross sales.

Four regular quarterly dividends of 15c per share plus one extra dividend of 15c per share — making a total of 75c per share — were paid during the fiscal year.

Substantial investments have been made in store real estate and store equipment this year, which resulted in an increase in our annual depreciation charge from \$234,451 last year to \$308,892.

Estimated Federal Income Taxes for this year amounted to \$515,960, which is \$2.20 per share.

The net working capital of the company at the end of the fiscal year was \$3,434,156. The cash surrender value of Officer's Life Insurance Policies, amounting to \$105,538, is now considered as an investment of a permanent nature and not a current asset as in the past.

During the year we spent approximately \$300,000 for stores' fixtures and equipment and increased our net investment in our affiliated companies about \$100,000.

Our real estate subsidiaries completed the construction of four new stores and the manufacturing plant of our bakery affiliate. At the present time, one additional store is being constructed by one of our subsidiaries, another is about ready to be started, and both should be finished and open for business before winter. Permanent financing has been consummated on the completed buildings.

During the year we closed two of our smaller stores, relocated three stores in new buildings, opened one new store and three separate bakery stores. In addition, several stores were substantially modernized and bakery departments were installed in many existing units. We plan to continue to develop new modern self-service super markets in leased premises where available on satisfactory terms, as well as in buildings to be owned and constructed by our real estate affiliates.

Our bakery manufacturing affiliate began operations in October after two years of preparation. The fine quality of our bakery products and its acceptance by our customers has confirmed our advance expectation. Although operations began in October, production facilities are still not entirely completed. New stores and additional equipment will contribute to greater volume at a lower cost.

An addition is being built to our South Boston warehouse, and certain other alterations are being made to the facilities of the building to enable us to handle more tonnage efficiently.

The general trend in food commodity prices has been downward since July, 1948. Anticipating this movement, inventories have been reduced \$765,000 in the fiscal year and are being maintained on a conservative basis.

Because the food business operates traditionally on a narrow margin of profit, we are constantly striving to improve our efficiency and reduce our costs. Certain organizational changes and realignment of functions have been completed which should help us to do our job more effectively. An overall company development program has been established and progress is being made according to plan. Continuous study of all phases of our operations and merchandising are being conducted by our Market Research Department in collaboration with our various departmental staffs to help us achieve greater efficiency in operation and increased customer favor for the products we sell. Many leading national food manufacturers continue to cooperate with us in many of our studies and much valuable merchandising data have been developed.

Individual employee earnings are at a higher level than a year ago. Our Personnel Department has carefully selected new employees and has conducted various training programs in several specific fields. All of this has contributed to help raise the level of performance of the entire Stop & Shop organization. We are grateful for the enthusiastic cooperation of our employees, which coupled with our resources and experience, enable us to face the future confident that all will work to help make Stop & Shop "THE BEST PLACE TO TRADE and the BEST PLACE TO WORK."

We record with sorrow the death this spring of Mr. Lester Watson, a partner of Hayden, Stone & Co. and a director of this company since 1925.

You will receive again this year a copy of the special report that we are preparing for our employees. We are quite proud of the continued recognition that these employee reports have received in the awards of the Nationwide contest conducted by the *Financial World*.

Respectfully submitted,

Joseph Rabinovitz
President.

STOP & S

Consolidated Balance

(Including wholly-owned)

Assets

CURRENT ASSETS:

Cash on hand and in banks \$2,008,321.96

Accounts Receivable:

Due from trade debtors, including re-
charges to manufacturers, municipal
relief agencies, advances to employ-
ees' retirement funds and sundry
claims less reserve \$192,497.14

Due from employees 4,434.57 196,931.71

Inventories:

Physical inventories evaluated at average invoice
cost or lower than cost, reflecting market prices,
located in the company's warehouses, in storage,
in stores, in transit and in vendors' premises . . . 3,005,100.36

Total Current Assets \$5,210,354.03

Officers' life insurance at cash surrender value 105,538.89

INVESTMENTS OF S. S. REALTY CO., INC. (wholly- owned affiliate) AND ITS WHOLLY-OWNED AFFILIATES:

In real estate owned in fee simple at cost (See Note 1) 946,465.28

INVESTMENTS IN AN AFFILIATED CORPORA- TION (50% owned) at cost (See Note 2):

Capital stock \$ 126,000.00
Cash advances 355,402.12 481,402.12

FIXED ASSETS (at cost):

Land and buildings "D" Street Warehouse, South
Boston, Massachusetts owned in fee simple \$ 520,383.83

Other land and buildings 40,943.67

Store equipment, fixtures, etc. 2,522,314.45

Warehouse and office equipment, fixtures, etc. 537,353.84

Automobiles and trucks 54,137.20

\$3,675,132.99

Less — Reserves for depreciation 2,141,734.52 1,533,398.47

DEFERRED CHARGES TO OPERATIONS:

Unexpired insurance policy premiums at unearned
values \$ 64,627.24

Rehabilitation costs of store locations, etc., amortized
over the life of each individual lease 686,577.61

Construction, maintenance and store supplies 61,418.92

Unamortized expense on company debenture bonds . . 1,916.67

Other deferred expenses 910.35 815,450.79

\$9,092,609.58

See page seven for notes re

Sheet . . . July 2, 1949

d affiliated companies)

Liabilities
CURRENT LIABILITIES:

Accounts payable — trade creditors on open account	\$1,218,197.56
— employee contributions to insurance funds, etc.	23,199.29
Amortization payments on real estate mortgages of S. S. Realty Co., Inc. and its wholly-owned affiliates (maturing within one year)	95,784.74

Accrued Accounts:

Federal income taxes (estimated)	\$579,981.44
Less — U. S. Treasury Tax Anticipation Notes, Series "D" held	550,000.00 \$ 29,981.44

Commonwealth of Massachusetts income, excise and municipal taxes . . .	147,286.06
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Social security and unemployment insurance — federal and state contributions	41,788.92
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Other accrued items including pay roll, rent and employee profit sharing and bonuses	219,959.66
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439,016.08

Total Current Liabilities

\$1,776,197.67

3¼% SINKING FUND DEBENTURE BONDS due January 1, 1961 (See Note 3)	1,000,000.00
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Purchase money obligations of S. S. Realty Co., Inc. and its wholly-owned affiliates under mortgages on real estate to be amortized by monthly and quarterly payments for various periods not exceeding twenty years from dates of execution	179,265.09
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SURPLUS RESERVE:

Reserve for future inventory devaluation and relocation of plant facilities	200,000.00
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CAPITAL:

Authorized 300,000 shares of \$1.00 par value capital stock of which 240,000 shares are issued and outstanding . . .	\$ 240,000.00
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Less — Par value of 6,000 shares acquired for the treasury	6,000.00 \$ 234,000.00
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Capital Surplus	\$1,110,000.00
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Less — Premium on treasury stock reacquired	33,539.22 1,076,460.78
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Surplus	4,626,686.04 5,937,146.82
	<u>\$9,092,609.58</u>

referred to in above statement

STOP & SHOP, INC.

Consolidated Profit and Loss Account

(Including wholly-owned affiliated companies)

	<i>Fiscal Year (53 Weeks) Ended July 2, 1949</i>	<i>Fiscal Year Ended June 26, 1948</i>	<i>Increase</i>
SALES.....	\$50,227,183.53	\$45,879,052.25	\$4,348,131.28
Less — Cost.....	40,541,429.16	37,214,835.89	3,326,593.27
MERCHANDISING PROFIT.....	\$ 9,685,754.37	\$ 8,664,216.36	\$1,021,538.01
ADD OTHER INCOME:			
Cash discounts on purchases, interest income, etc.....	265,752.25	266,505.12	* 752.87
GROSS PROFIT.....	\$ 9,951,506.62	\$ 8,930,721.48	\$1,020,785.14
DEDUCT OPERATING EXPENSES:			
Stores selling expenses, warehouse and distribution costs, supervision and administrative expenses	\$ 8,336,027.88	\$ 7,376,942.82	\$ 959,085.06
Depreciation of buildings, equipment, trucks and automobiles..	308,892.08	234,451.57	74,440.51
Interest.....	32,581.28	39,406.84	* 6,825.56
Total.....	\$ 8,677,501.24	\$ 7,650,801.23	\$1,026,700.01
Net profit before federal income taxes	\$ 1,274,005.38	\$ 1,279,920.25	*\$ 5,914.87
Deduct — Federal income taxes (estimated).....	515,960.58	534,127.32	* 18,166.74
	\$ 758,044.80	\$ 745,792.93	\$ 12,251.87
Less — Provision for future inventory devaluation and relocation of plant facilities.....	—	100,000.00	* 100,000.00
NET PROFIT TO SURPLUS.....	\$ 758,044.80	\$ 645,792.93	\$ 112,251.87

* Decrease

Consolidated Surplus Account

Fiscal Year (53 Weeks) Ended July 2, 1949

BALANCE, June 26, 1948.....	\$4,044,141.24
Add — Net profit for the fiscal year (53 weeks) ended July 2, 1949.....	758,044.80
	\$4,802,186.04
Deduct:	
Cash dividends paid — \$.75 a share on 240,000 shares outstanding.....	\$180,000.00
Less — Dividends on capital shares held in treasury.....	4,500.00
	175,500.00
BALANCE, July 2, 1949.....	\$4,626,686.04

STOP & SHOP, INC.
Notes Relating to Financial Statements
July 2, 1949

NOTE 1.	Cost of land and buildings of various acquired locations	\$2,866,297.20
	Less — Accrued depreciation of buildings	<u>121,281.96</u>
		\$2,745,015.24

Deduct — Mortgages on this property for money advanced for construction (these mortgages are not assumed by either the parent or its affiliated companies) \$1,876,699.25

Less — Principal payments due for the ensuing year included in Current Liabilities . .	<u>78,149.29</u>	<u>1,798,549.96</u>
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Balance representing the companies' equity subject to mortgages in the aggregate sum of \$196,900.54 shown as a liability in the Balance Sheet	<u>\$ 946,465.28</u>
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NOTE 2.	The authorized capital stock of this corporation consists of 1,250 shares of 3% cumulative Preferred with a par value of \$100.00 which is redeemable at par and has no voting power, all of which stock has been issued to Stop & Shop, Inc. for cash at par	\$ 125,000.00
	and 5,000 shares of Common with no par value, having sole voting power, 200 shares of which have been issued for \$2,000.00 of which 100 shares were issued to Stop & Shop, Inc. for	<u>\$ 1,000.00</u>

Total Cost \$ 126,000.00

This company on July 2, 1949 had an operating deficit of.. \$ 37,055.34

NOTE 3. The Indenture with respect to the 3¼% Sinking Fund Coupon Debentures due January 1, 1961 prescribes the redemption of these Debentures through the operation of a Sinking Fund created by the payment in cash of a sum sufficient to redeem \$100,000.00 in principal amount of the Debentures including unpaid interest on or before December 31, 1951 and a similar amount on or before December 31st of each year thereafter to and including December 31, 1959.

The Indenture also prescribes that the Company will not at any time pay dividends on its capital stock or purchase, redeem or otherwise retire any shares of its capital stock unless paid out of the consolidated earned surplus, in excess of \$2,000,000.00 on June 30, 1945 plus consolidated net earnings subsequent thereto and plus any cash proceeds derived from the sale of the Company's capital stock (exclusive of that portion of the net proceeds used to purchase, redeem or otherwise retire any of its shares of capital stock) and unless the provisions with respect to Sinking Fund have been complied with and any cash payments made thereto or therefor shall have first been deducted from the accumulated earnings and proceeds from sale of capital shares as aforesaid. At July 2, 1949 approximately \$2,510,439.00 of the Earned Surplus was free of dividend restrictions.

Accountants' Certificate

We have made an examination of the books and accounts of Stop & Shop, Inc., including its wholly-owned affiliate, S. S. Realty Co., Inc., and the wholly-owned affiliates of the latter for the fiscal year (53 weeks) ended July 2, 1949. In accordance with generally accepted auditing standards applicable in the circumstances, omitting no procedure inherent therein, this examination consisted of a detailed audit of such transactions that we believed to be important, that were effected during the fiscal year above stated, but did not include a detailed audit of all transactions. We have verified by outside confirmation such of the balance sheet items we deemed appropriate and necessary; and we are of the opinion, by reason of our familiarity with the controls and accounting records of the companies, and having applied necessary auditing procedures, that those items not verified in this way are correctly stated.

In our opinion, based upon such examination, the attached financial statements and their relative notes attached hereto fairly present, in accordance with generally accepted principles of accounting applied on a basis consistent with previous years, the financial position of the companies at July 2, 1949, and earnings for the fiscal year ended with that date.

MYRON HELLER & COMPANY
Certified Public Accountants

By: MYRON HELLER, C.P.A.

Boston, Massachusetts
August 16, 1949

